

# PERLS 105

## REVENUE GENERATION

The roles and expectations associated with fundraising and development

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## Revenue Principles

Need revenue sources to be:

- Reliable – *the organization can depend on the source(s); the funding is ongoing*
- Stable / consistent – *the amounts do not vary or fluctuate dramatically; processes do not change*

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## Summary of Revenue Sources for Sport and Recreation Organizations

- Government operating dollars
- Grant programs
- Gaming
- Membership Fees
- Sponsorship
- Regular Events
- Special Events
- Fundraising/Development – terms are often used interchangeably, but Development is more ongoing, long term, complex, and larger amounts

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### Revenue Allocation Decisions

- Align revenue source with expense items
- Stable funding sources should be aligned with core operating expenses

#### EXAMPLES:

- Government annual operating grant pays for core staff
- Membership revenue pays for organization's programs
- Sponsorship revenue pays for promotion of organization
- Development might be for capital, or endowments

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### Development

- Not sure why this term has become commonplace
- It is easier to understand it if you think of "institutionalized and organized begging"
- Panhandlers in expensive suits
- Government encourages "development"
- Successful "development professionals" make a LOT of money – unsuccessful are unemployed

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### What does Development include?

- Identifying priority needs for your organization
- Determining if the needs are a reasonable cause to which people might give
- Educating people of these needs
- Providing opportunities for people to help
- Identifying "major gift" prospects
- Managing a gift processing mechanism
- Recognizing the contributions of your donors
- Providing tax breaks for people interested in your cause
- Leverage your philanthropic support

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## What does Philanthropy mean?

- Oxford definition:
  - The disposition or effort to promote the happiness and well being of one's fellow people, especially by gifts of money, work, etc.
- 'Real World' Definition:
  - Giving to causes/people/projects that are important to you with little or nothing in return for your generosity

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## Development as part of revenue generation

- FOUR STEPS:
- Creating your case for giving/support
- Market/Competition analysis
- Prospect pool analysis
- Program Development

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## Creating a case for support

- A case is an argument or appeal to potential donors
- Case must be engaging, inspiring, honest, and reflect your organizational mission, while providing potential donors with motivation to help
- Matching donor interests with priority fund needs can be extremely difficult



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## Creating a case for support

Examples:

- Heart & Stroke Foundation  
<http://www.heartandstroke.ca/Pages/Donor.aspx?ID=81&CategoryID=6&Src=donate>
- Canadian Olympic Committee  
<http://www.olympicfoundation.ca/>
- U of A  
<http://www.olympicfoundation.ca/index.cfm>



How does your organization “change lives or save lives?”

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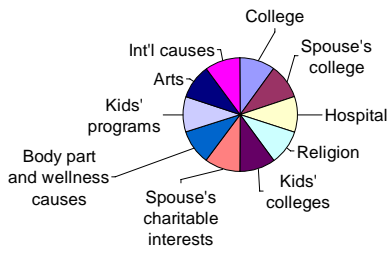
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## Market Analysis

Who wants Bill Gates' money? Over 80,000 charities in Canada

### Charitable Options




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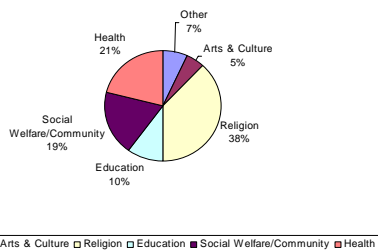
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## Market/Competition analysis

Where do people presently give?

Distribution of Donations (all sources), 2001




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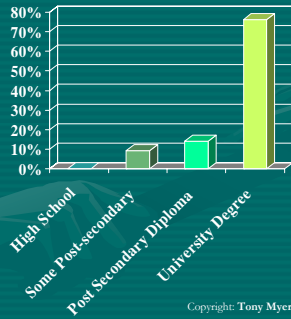
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## Market/Competition analysis

Education of those that give major gifts.



Copyright: Tony Myers, LL.B, MA & Scott Decksheimer

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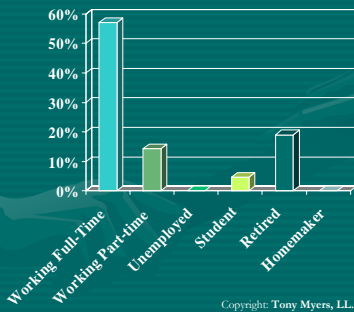
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## Market/Competition analysis

Employment of those that give major gifts.



Copyright: Tony Myers, LL.B, MA & Scott Decksheimer

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## Market/Competition analysis

What other relevant analysis might you undertake:

- Regional economics/employment rate
- Potential political advocates/adversaries/threats/ties
- Your reputation in the community – local, provincial, national, int'l
- How many others in your region have a similar case?

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## Prospect Pool analysis

U of A uses a 3-variable prospect analysis system....LAI:

- Linkage – connection to the organization
- Ability – capacity to donate money
- Interest – do they care about the cause

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## Prospect Pool analysis

- Who are you going to ask for money? Are 'they' able to give as much as you need them to give?
- How many of these people match the 'preferred demographics' (education, income) found in your market analysis?
- Based on successes of other, similar organizations to yours, what sort of response (participation) rate can you expect?

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## Prospect Pool analysis

- Do the people you are going to ask for money have a connection to your organization? What kind of connection?
- Does this connection make them more likely to give you money? Do you just think so, or know so?
- The size of donation will depend totally on \_\_\_\_\_?

\*\*What if after the case, the market analysis and prospecting you realize you are in trouble?

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Warning!!



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### Prospect Pool & Market analysis

- Heed your own research results and put your ego aside!
- If the findings of your analysis indicate that you are not ready to implement a fundraising initiative, don't do it!

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### The Giving Pyramid



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## The Giving Pyramid

- Starts with an Annual Giving campaign that provides a base of donors – average annual gift at U of A is about \$30.
- Next level is Leadership Giving, which could be a one time or annual larger gift – \$1,000 to \$10,000 – fewer donors
- Next level is Major Gifts - \$10,000 + - fewer donors
- Top level is Planned Giving – donation of part of an estate through will or life insurance

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## Development Program ....a few quick notes.

- How are you going to ask people for money?
- Develop budget...how much to raise a dollar?
- Cater your program to those most likely to support you.
- Emphasize personal connection
- Develop operational plan and solicitation schedule

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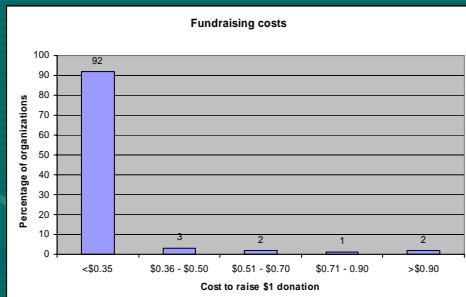
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## Fundraising Costs are an important consideration



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## Projecting/Setting Fund Goals

- Based on research and analysis, your projections/goals should stem from calculated estimate of:
  - Number of annual donors
  - Number of donors at certain giving levels (e.g. >\$10,000)
  - Average gift

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## Annual Giving

- Begin data integrity and enhancement projects
- Get in front of key supporters. Consultants sometimes do this – readiness/feasibility studies
- Get on the phone
- Get in the mailbox
- Make stewardship/leadership calls

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## High Impact Giving

- Develop prospect list via data and existing organizational network, contacts, and external relationships
- Research, develop and implement giving options
  - Multi year commitments
  - Endowed awards, annually funded awards
- Use of volunteers can be a key to success
- Implement stewardship programming and ensure high level of donor accountability\*\*

\*\*Key to major gift program

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## Donor Recognition – Gifts-In-Action

- Address the following donor statements:
  - “Show me the recipient of my generosity?”
    - Accountability
  - “I don’t care about recognition of my gift. (But really I do.)”
    - Recognition/Thanks
- All organizations can provide recognition and accountability.
- Develop strategic donor recognition plan that consists of print & electronic material, special events, and personal donor relationships with benefactors – Warning, don’t bite off more than you can chew

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## Measuring Your Success

- 6 Quantifiable ways to measure your fundraising successes:
1. The obvious.....how much money overall?
  2. Average Gift
  3. Acquisition of new donors
  4. Reactivation of donors from past years that have lapsed
  5. Retention of donors from last year
  6. Upgrading to a different giving level

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## Forms of Support

- How can people give?
  - Monthly credit card gifts
  - One time cheques/cash
  - Stock
  - Life insurance / bequests / wills (Planned Giving)
  - Land
  - Gifts-in-Kind (e.g. art, antiques, and other collectibles)
  - Several other creative means of lending support

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## Donate money or donate time

- Volunteer organizations require both donations of money and donations of time
- In both cases, you must have an excellent case and give people a reason to support your organization

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## The End.

- Questions?

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